

Elites and Organized Crime:

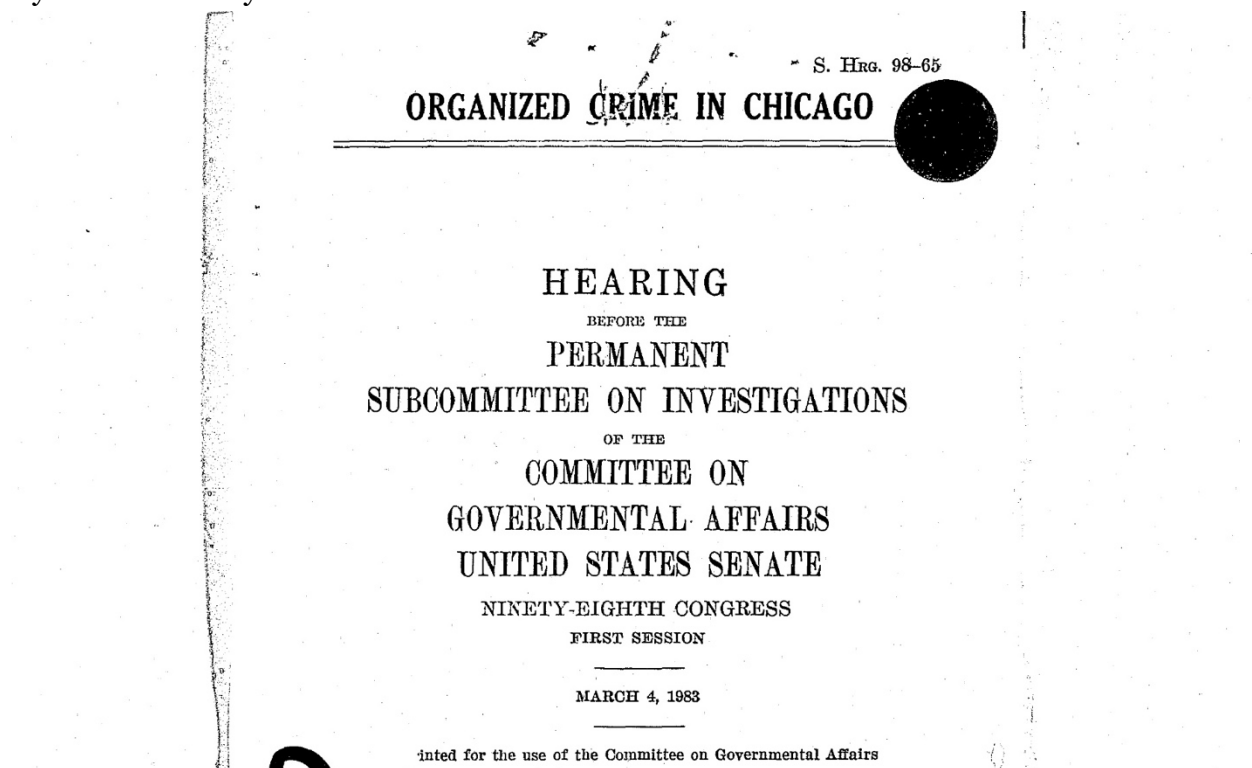
Introduction, Methodology, and Conceptual Framework

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Preface

By Steven Dudley



Organized crime is not an abstract concept for me. I grew up in Oak Park, a leafy suburb of Chicago with a population of about 60,000. In general, it was a very low crime city, which is perhaps why many mobsters made their homes there, among them Sam “Mooney” Giancana (pictured on the next page).

Giancana’s connections to the mob dated back decades. He was a top leader during the 1960s of what was called the “Chicago Family” of La Cosa Nostra. His run-ins with the law, and the sloppy management of his operations, put him at odds with some of his cohorts, and in 1975, three years after my family and I moved to the neighborhood, he was killed in his Oak Park home.

The subject was one of national concern at the time. On March 4, 1983, a US Senate subcommittee convened a meeting in Chicago to tackle the difficult subject of organized crime in the city. It opened with a startling declaration:

“The scope of activities involving the syndicate or mob or outfit in the Chicago area is truly pervasive,” said subcommittee member and Senator William Roth, a Republican from Delaware, told the committee. “Organized crime in Chicago touches practically everyone’s life or livelihood. And the evidence shows that the tentacles of mob activity in this city reach into government, law enforcement, unions, and other legitimate political, social, and economic functions.”¹

Witnesses called by the subcommittee went on to describe organized crime’s deep roots in Chicago, its varied legitimate and illegitimate business interests, its enforcement tactics, its influence in society, and its political connections.

“The umbrella which protects the Chicago mob and the lynch pin which holds it together, enabling it to function, is its alliance with politics,” William F. Roemer, a former Federal Bureau of Investigation (FBI) agent and a consultant to the Chicago Crime Commission, wrote in a prepared statement. “Nowhere can organized crime operate effectively without the connivance of public officials. This would include law enforcement officers, legislators, judges and key public officials. We believe that nowhere in the country has this been truer than in Chicago.”²



Chicago’s top crime boss, Anthony Accardo, alias “Big Tuna,” lived in River Forest, the town next to Oak Park. Accardo had been in organized crime since the 1920s, when he became an assassin for Al Capone.³ His nickname then was “Joe Batters,” a nod to his penchant for using baseball bats to dispense discipline and terror.⁴ One witness in the subcommittee meeting in 1983 described Accardo (pictured below) as the “consigliere” to the Chicago Family.⁵ “He was the best leader the Chicago mob has ever had,” Roemer wrote in his statement.



Everyone in the area understood that Accardo was in the mob. His grandchildren played football with my older brothers, and he would occasionally attend the games with his bodyguards in tow. When we were teenagers, we would drive slowly by his undistinguished one-story house that was rumored to have several underground floors and tunnels to facilitate his escape should the authorities come to arrest him. They never did.

Michael Spilotro, brother of Anthony Spilotro -- made famous by Joe Pesci’s portrayal of him in the movie “Casino” -- lived on the south side of Oak Park. Witnesses

in the subcommittee hearing said Anthony Spilotro, with the help of Michael, led the Chicago Family's "invasion" of Las Vegas and points beyond.⁶

A friend of mine stole beer from Michael Spilotro's basement once. When Spilotro found out, he called my friend's house and threatened his mother. My friend had to take a detour on his way to school to avoid that house until the news that the Spilotro brothers had been found, strangled and beaten to death, then buried in an Indiana cornfield.⁷ The brothers were last seen driving away from Michael Spilotro's Oak Park home.⁸

I tell these stories because there is often a distant feel about the way that journalists and researchers study these issues in other countries. We tend to forget how integrated organized crime is in all of our lives. Whether you grew up in Chicago in the 1980s or you are living in modern-day Honduras, Guatemala, Nicaragua or Colombia -- the four countries in this study -- organized crime is a part of our societies, woven into the places where we make our homes, where we work, play sports and spend time with friends and family.

"You may ask where traditional organized crime is, where can you see it?" then Chicago Police Superintendent Richard Brzeczek stated in his written testimony to the subcommittee.

Look around. There are many people in this room right now...Concerned citizens and businessmen, law enforcement officials, legislators, and various representatives of the media. We all have mortgages, belong to pension plans, have friends and acquaintances who we communicate openly with and may feel indebted to. Where do we buy our goods? Who does our dry cleaning or collects the garbage from our business establishments? Do we buy cigarettes or candy every day from certain vending machines? Who owns the parking lot where you park your car. This is totally irrespective of what city you live in, and it is in these questions that we find out where traditional organized crime can be found. Every person in this room undoubtedly has some money in their pocket or purse. Rest assured that a percentage of that money will end up in the hands of the leadership of traditional organized crime.⁹

We also tend to oversimplify what organized crime is, splitting the characters in the story into "bad guys" and "good guys." But organized crime exists because it fills needs



in our economies and provides the backdrop to much of our social lives. And it benefits many people well beyond those who are directly involved.

Obviously, organized crime is also perverse, violent and destructive. In that regard, the 1983 subcommittee hearing noted a recent spate of murders in the Chicago metropolitan area that it connected to organized crime activity. Between 1919 and the 1983 hearing, the Chicago Crime Commission documented 1,081 organized crime-related murders.¹⁰ In terms of deaths, the situation does not compare to that of present-day Honduras, Guatemala, Nicaragua and Colombia. Honduras alone -- a country with a population similar to the Chicago metropolitan area -- suffers close to 6,000 murders per year, many of these organized crime-related.

Still, the similarities between the issues presented at the Senate subcommittee hearing and those we encountered in our two-year investigation into elites and organized crime in Central America and Colombia are striking. The subcommittee hearing was about Chicago, but they could have just as easily been speaking about Guatemala, Colombia, Honduras or Nicaragua. “Street taxes,” kickback schemes, corruption in public works contracts, and campaign financing with illegal monies are all part of organized crime in both places.

More importantly, the main reason organized crime prospers remains the same no matter the place or time period -- corruption.

“The seedbed of organized crime has consistently been recognized to be sophisticated white-collar crime activity coupled with public corruption,” Edward Hegarty, the Special Agent in Charge of the FBI’s Chicago office, told the subcommittee. “Organized crime flourishes ... because of its relationship to public corruption and sophisticated white collar crimes.”¹¹

These relationships reach to the top of the political and economic food chain. Witnesses noted the deep connections between Chicago aldermen, a few mayors and the Chicago Family. One cited a New York case in which a noted mobster, who was eventually convicted, called as character witnesses the governor of that state, two former mayors of New York City, and the head of the country’s most powerful labor syndicate.¹²

This is why we at InSight Crime decided to tackle the issue of elites and organized crime. It seems to be the forgotten lynchpin in understanding organized crime activity, whether we are talking about Chicago of the 1980s or modern-day Central America and Colombia. Elites control how our societies, and our political and economic systems, are constructed. They decide where we channel our public resources, how we prosecute wrongdoing, and how we regulate commerce and trade. If they tolerate or engage in

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corruption and crime to further their own ends, they are participating in the debilitation of the state and laying the seeds for organized crime to thrive.

The result of this corruption and neglect was as evident in Chicago in the 1980s as it is in Latin America today. Like Chicago at that time, local law enforcement agents in the region have inadequate legal and forensic tools and severely resource-limited witness protection programs. In an effort to keep corruption at bay, personnel are constantly rotated, which severely hampers their ability to develop intelligence sources or carry out long, complicated investigations. Those charged with fighting organized crime do not have adequate training, and are in a vulnerable position because they often live in communities alongside underworld figures.

What the subcommittee did note, however, was the necessity of exposing organized crime, and the networks it creates, to the public. The Chicago Crime Commission was the first to declare Al Capone public enemy number one, according to its President Gail Melick, which he said helped bring about the mobster's eventual prosecution. "Such an open assessment of organized crime figures, and such publicity, was effective then, and could be now," Melick testified.¹³

We at InSight Crime -- and our partner investigative teams in Guatemala, Honduras, and Nicaragua -- are of the same mind. We are not prosecutors or law enforcement agents. We are a multi-disciplinary team of investigators from different countries who seek to understand the dynamics between organized crime and the elites. Rather than identifying a "public enemy," we are trying to expose how these elites interact with organized crime, both willingly and unwillingly, and the dangers that this interaction poses to economic development, democratic governance and human rights.

The tone of the 1983 subcommittee meeting was one of urgency and desperation. It is not unlike the tone of public hearings today about the situation in Central America and Colombia. But things can change. Chicago is a good illustration. The government has arrested numerous Chicago Family bosses since then, and the mob is greatly debilitated, albeit still functioning. Corruption and gangland violence have also considerably declined. The changes began with public discussion of these matters, such as during the 1983 subcommittee hearing at the US Federal Court House.

Then, as now, we need to know what, and who, we are talking about before we can tackle elite links to organized crime, and that is the job we have started with this investigation.

Endnotes

[1] US Senate, "Organized crime in Chicago: Hearing before the Permanent Subcommittee on Investigations of the Committee on Governmental Affairs," 4 March 1983, p.1. Available at: <http://catalog.hathitrust.org/Record/002762658>

[2] Ibid., p. 187.

[3] Ibid., p. 50.

[4] See: William F. Roemer, *Accardo: The Genuine Godfather* (New York, NY, 1996).

[5] Ibid., p. 24.

[6] Ibid., p. 50.

[7] Bill Dwyer, “Details of Spilotro murders revealed in mob trial,” Wednesday Journal, 14 August 2007. Available at: <http://www.oakpark.com/News/Articles/8-14-2007/Details-of-Spilotro-murders-revealed-in-mob-trial/>

[8] Larry Green, “Mobster Spilotro, Brother Found in a Grave in Indiana,” Los Angeles Times, 24 June 1986. Available at: http://articles.latimes.com/1986-06-24/news/mn-20919_1_spilotro-brothers

[9] US Senate, “Organized crime in Chicago: Hearing before the Permanent Subcommittee on Investigations of the Committee on Governmental Affairs,” 4 March 1983, pp. 137-138.

[10] Ibid., p. 12.

[11] Ibid., p. 26.

[12] Ibid., p. 72.

[13] Ibid., p. 10.

Introduction

By Steven Dudley



Organized crime and the violence associated with it is the preeminent problem in Latin America and the Caribbean today. The region is currently home to six of the most violent countries in the world that are not at war. Four of those countries are in Central America, where we centered our research. Public opinion polls also consistently show that crime and insecurity are at the top of the region's concerns. Governments and multilaterals have channeled vast resources towards dealing with this issue, and international aid and humanitarian organizations have shifted their mandates to better confront its effects.

The problem is as broad as it is deep. It touches all aspects of society, politics and business in these countries. Organized crime is undermining democracy and distorting economies. It is fueling small gangs and international criminal syndicates that use their money and weapons to co-opt or subvert the security forces. It is penetrating the state, breaking apart the institutions that were established to protect citizens and promote

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prosperity, and turning them into tools for wielding power. And it is changing the dynamics of international affairs, politics and elite relations in these countries.

However, the analysis of organized crime has not kept pace with these developments. Indeed, the idea for this study came from scanning governmental and non-governmental reports on organized crime and realizing that too often it is characterized as separate from, rather than integrated with, the communities in which it operates. In the traditional conception, criminal economies are considered to be parallel, not essential, to the lives of those who live where they operate. The protagonists are identified as gang members, thugs and hoodlums; rarely as bankers, politicians and security forces personnel. Governments rarely look inward at their own history, their geography, or their failing institutions to find out why organized crime is thriving in their country. They blame what they see as outsiders -- frequently foreigners -- or those on the margins, particular the poor. There are Italian, Russian, Colombian and increasingly Mexican mafias that are considered to be somehow distinct and ruthless because of their upbringing, their culture, or their ethnicity.

The result is a distorted view of who the criminals are and how they gained such a solid foothold in the region. Traditional assessments have little concept of organized crime's activities and businesses, the role it plays and how it is integrated into the economy, politics and social life of communities. These assessments have yet to measure how crime impacts governance and democracy, from local community associations to the national vote. And they struggle to conceptualize the role crime plays in the formation of the state, from both an economic perspective and a security perspective.

What's more, most assessments focus on two aspects of the government's efforts against organized crime: its ability to reform or beef up its judicial system or security forces; and its ability to implement social and economic programs to keep potential recruits from joining organized criminal gangs. The emphasis of these assessments is greatly influenced by the principal ways in which they view crime, i.e., as the result of a "failed" state or a "failed" economy.

This view leads to a false choice, one in which governments, multilaterals, foundations and others must decide between "good guys" and "bad guys" in a zero-sum game. This is a dangerous way to frame the issue, as it cuts off huge portions of society, politics and the business sector who, whether they like it or not, must operate within or around organized criminal activities. It also ignores the West's own history, in which pirates, bootleggers and others played important roles in the construction of social, economic and political structures.

In our study, we are seeking to expand the notion of how organized crime works. We see it as something that is integrated into society, into the development of a country's

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economy, its governance structures, and social groups. Organized crime does not penetrate as much as it blends in with the various parts of the community, the political class and the business moguls. This includes the “elite,” i.e., decision-makers, influencers, political operators, and those who control capital and the means of production.

By expanding who we include in our study, we can see the whole picture, one that is not restricted to a zero-sum game of cops and robbers, but considers more nuanced and little-understood factors to identify why this phenomenon is so hard to eliminate, and what we can do to foster a society that does not reward criminal activity, especially activities that rely on violence. Specifically, we are interested in exploring three areas that deserve more attention: organized crime’s interaction with economic development, governance, and social and cultural dynamics.

On the economic side, organized criminal groups are overrunning local economies by buying large tracts of land, purchasing huge quantities of local goods, commandeering public works projects, and developing economic conglomerates. In many cases, they are emerging as a new elite. In other cases, they are working closely with traditional economic powers. In both instances, economic development may begin as a secondary concern for the criminal group, but its activities can result in lucrative ventures that fit into a country’s larger economic project and contribute mightily to a country’s economic growth. This can also give the criminals an avenue to climb the social ladder and gain legitimacy.

Still, the impact of organized crime on something as complex as economic development is hard to determine because it is not uniform. Organized crime may retard economic development if it strengthens traditional, less labor-intensive industries such as cattle farming, or if illicit monies are used to undercut competitors and distort the market. However, a community may also flourish if criminal groups invest heavily in labor-intensive business such as road-building or other construction projects, move capital through the local financial system, or purchase large amounts of local agricultural goods.

In essence, criminal groups have diversified their business portfolios and have sometimes become integral players in bringing about what some might call economic progress. They are critical actors in rural investment plans, agro-industrial projects, tourism, real estate, the mining industry and other capital-intensive economic projects throughout the region. Their interests regularly intersect with those of the government and private economic groups through a complicated web of partnerships and alliances. Their participation, and injection of resources, can ensure the long-term health of these projects, which many outside observers consider the bulwark of economic development

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in the region. This leaves us with the critical question of whether organized crime's participation in economic activity is uniformly negative, as it is often portrayed.

There is less ambiguity with regard to organized crime's impact on governance, which is overwhelmingly negative. Criminals have infiltrated political parties or co-opted them with large campaign or other contributions. In some cases, they have created their own political parties. In all cases, it appears that they are using increasingly decentralized political systems, or co-opting centralized systems, to establish virtual islands where criminals hold power. The exercise of power in these islands answers to the criminals' interests, rather than to the public interest, thwarting political activity, undermining democracy, and subjugating minority, women and ethnic groups' interests in the process.

There are also indications that organized criminal groups are undermining the entire political system in countries across the region by developing strategies to control local and national elections. They are securing resources by placing allies in key political posts, ministries, and committees. And they are altering the checks and balances system by penetrating high courts and influencing the selection of candidates for many sectors of government and the security forces.

Finally, organized crime is altering social and cultural relations in communities across the region. Partnering with or coercing community, religious, indigenous or intellectual leaders, these organized criminal gangs are usurping power across multiple milieu and influencing how leaders organize, how they interact with other state and private actors, and how they develop relations with their constituents. The links between these leaders and organized crime have broad implications for community dynamics, especially in cultural, educational and religious environments.

In sum, we began this study with the belief that we could deepen our understanding of how organized crime had become part of the communities, the governing structures and the economic elites who make the decisions that shape these societies. We have spent two years developing case studies in four countries that illustrate the complex, intertwined nature of these relationships. But before we go into the details, we need to outline our methodology and set out the limitations of our study.

Methodology

By Steven Dudley



This study focuses on four countries: Guatemala, Honduras, Nicaragua and Colombia. Each presents different challenges and opportunities for research, and makes its own contribution to our snapshot of elite groups and organized crime in the region.

The long history of organized crime in Colombia and the dismantling of some of the country's largest criminal groups through a public peace process have created an incredible opportunity for judicial authorities and investigators to unearth the means and methods by which these groups co-opted so many and influenced so much. For this reason, Colombia provides the empirical base from which we draw general conclusions about modus operandi, and gives us a solid foundation to develop hypotheses about how criminal groups intersect with economic, political and intellectual elites on a regional level.

InSight Crime's researchers in Colombia have been following this process for more than a decade. They have interviewed dozens of criminal actors and still have access to many of these actors in both Colombia and the United States. These include some of the top paramilitary leaders, who demobilized and remain incarcerated in both countries. The researchers also spoke to prosecutors and accessed judicial records and testimony that describe these connections and their development over a period of many years. These records, testimonies and interviews are the base upon which the researchers develop their hypotheses about how organized crime intersects with elites.

The Central American nations selected for study represented a much greater challenge. Judicial records are scant. Criminal actors are not as visible or public, and not nearly as accessible. Judicial authorities are less forthcoming and criminal cases often buried behind many layers of bureaucracy. In part, this is why it is so important to study these countries. There is a gap in knowledge and a limited public record of how the criminal and elite worlds intersect. While this represents a tremendous methodological challenge, which is delineated below, it also provided researchers with added motivation, and the ability to break new ground.

What's more, Guatemala, Honduras and Nicaragua represent an illuminating cross-section of criminal organizations and types of elites. Elite dynamics in each of these countries are different, but with important commonalities. The makeup, role and penetration of criminal groups into intellectual, societal, legal, government and economic circles is varied, but interrelated. Our findings give us a greater understanding of the local and national dynamics that influence these intersections between organized crime and elites, and allow us to draw broader conclusions about what unifies these examples.

We produced two case studies on each country. Broadly speaking, each case study illustrates a particular relationship between elites and organized crime. This relationship could be economic, political or social in nature. It could be direct or indirect. It could even be that organized crime was ultimately used as a pretext for an elite group to strengthen its control of the decision-making process, institutions, a political party or a business association.

While we would have liked to select case studies that allow for seamless comparisons between countries, organized crime does not lend itself easily to that methodology. There are, in essence, very few cases of crime-elite links that are solid enough to publish and allow for meaningful discussion about the issue. There is little room for error in this regard. Publicly outing some of the most powerful sectors of these countries as having links to crime is a huge risk that we took with our partners, but one we thought necessary in order to push forward the debate about what should be done.

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With our selection limited, we had to decide how we could develop a representative cross-section of studies that would allow us to draw conclusions applicable across borders. We initially sought to approach that challenge by dividing the project into social, economic and political elites. That too proved impractical, given the significant and complicated overlap between these different types of elites. The issue, of course, was uniformity. Each of these countries has different types of organized crime. Their governments have different levels of stability. Their elites have different bases of power. Their geography varies. In sum, there are simply too many variables and no perfect way to tackle this issue. So, in the end, we opted to keep the categorization of our case studies broad: one we deemed “national;” the other “local.”

The “national” case studies have certain characteristics no matter the country in question. First, the cases are illustrative of a national-level phenomenon -- the criminal groups’ modus operandi, origins, their reach and penetration of the state, and their relationship with the elites are all elements that touch the country as a whole. Second, the cases involve at least one of the most important sectors of the elite. That elite group is a primary agent in the construction of society and the state, a major political or economic player, or some combination of these. Third, the cases reach the upper echelons of government and impact how the state deals with organized crime. This includes government efforts to jail suspects, prosecute them, and confiscate property. More importantly, the cases touch on how an elite manages questions of organized crime, and who ultimately makes those decisions.

The “local” case study is more limited in geographic scope but is just as illustrative, since it shows how elite-criminal relationships develop and evolve in a more intimate setting. The local case studies involve local politicians, regional economic elites and powerful social actors. These actors’ interactions with organized crime are not uniform but are similar enough that they help us draw region-wide comparisons about how the dynamics at the local level form the foundation from which national cases emerge.

Table 1: Country Case Studies

Country	National Case Study	Local Case Study
Honduras	Matta Ballesteros: A 1970s and '80s drug trafficker contributes to the development of a new, bureaucratic elite, much of which emerged from the country's armed forces.	The Cachiros: A powerful regional trafficking group develops a diverse economic portfolio that leads to regular, prolonged interactions with all types of elites.
Nicaragua	Henry Fariñas: The murder of a prominent singer opens the window into a region-wide trafficking network with high-level contracts in the police and judicial authorities.	Ted Hayman: a local fisherman turned drug trafficker on the Caribbean coast patches together powerful social, political network that keeps his operations going for years.
Guatemala	CICIG: How traditional elites tried to use a revolutionary United Nations-backed judicial body for their own ends, and when that failed, ran out its commissioner.	The Huistas: a regional criminal network illustrates how to achieve longevity by staying local, keeping tight security, and avoiding excess violence.
Colombia	Don Berna: A criminal mastermind deploys the bureaucratic elites to help him consolidate his home base -- Medellín-- and extend his tentacles beyond.	Jorge 40: a paramilitary leader from the economic and political elite constructs a political masterplan to control the region, and from there the whole country.

In all the studies, we have used the same foundation to make our case for the connections between elites and organized crime. At its apex, this is based on court documents from cases that have been resolved; prosecutorial investigations that have led to convictions; testimony that has helped lead to jail sentences. In the best-case scenarios, we have spoken to the protagonists of these criminal acts or obtained their testimonies; and we have interviewed the prosecutors and government investigators who built these cases and readied them for judicial scrutiny. We have worked hard to obtain other documentation as well, such as property records, public works contracts and other government documents, where relevant and available.

When judicial and other documentation was not available -- either because records were sealed or because there has not been any formal accusation against the criminal actors in question -- we relied on sources close to the case to provide this foundation. These included prosecutors, police, military and intelligence officials; criminal protagonists and their lawyers; and eyewitnesses and others who could provide first-hand accounts. Some of this work was supplemented with government intelligence documents. However, we did not rely solely on intelligence documents for any part of our cases, and worked to get accounts from various sources to corroborate their information.

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Finally, we pored over numerous press accounts, academic reports, non-governmental investigations and other third-party documentation. Many of these sources led us to primary sources or pointed us in new investigative directions. Others served as a means to double-check our information, or our investigative line of inquiry. We have added to our knowledge base by interviewing numerous experts, academics, political analysts, investigators and others. These interviews helped us establish sound hypotheses regarding the dynamics between elites and organized crime, as well as to frame the key concepts that bracket the study -- organized crime and elites being the two most important.

In all, we have carried out more than 200 interviews in six countries. We have gathered paperwork from court files and other official documents in seven countries. We met on two occasions as a team to debate and determine lines of inquiry, form hypotheses, and to outline the reports. We have also held closed-door sessions with experts in each country to obtain feedback on our hypotheses and case study work.

Our case studies and the resulting conclusions provide the most comprehensive attempt to chronicle and analyze the proverbial elephant in the room: the elites' relationship with organized crime in parts of Central America and Colombia.

Methodological Considerations on Data Collection

In an ideal world, each team would have worked with similar data and an equal number of judicial records and testimonies across multiple countries. The reality is that investigating organized crime is varied as well as difficult. The variables are numerous, and as complex as the subject itself.

To begin with, there is a wide variation in the quality and quantity of information available on this subject in each country. As noted above, Colombia's long history of organized crime and its recent public peace process give researchers in that country a huge advantage over investigators in Central America, where criminal groups are an understudied, little-documented phenomenon. The resources available in Colombia, for instance, include not just judicial sources and statements from criminal actors, but a tradition of in-depth academic research, media coverage and public sector reports on this issue. To complicate matters, the levels of information differ in each of the Central American countries we have focused on. This means that the starting points are not equal, creating an uneven foundation for cross-border comparison.

Secondly, there is a question of access. Even if the documentation, testimonials and judicial records were of equal quality, circumstances can make access to this information difficult or impossible. Embedded in this issue is the question of safety, both for our investigators and our sources. Throughout the two-year process, many

investigators felt inhibited by the subject matter. Some were forced to drop out of the project due to safety concerns. Others simply self-censored. We at InSight Crime followed strict safety protocols and implemented measures to keep materials safe from prying eyes. We have kept many sources anonymous in order to protect them from repercussions. But, inevitably, some things will go unreported.

Thirdly, the reliability of the documents collected varies widely depending on the country, region, subject matter, and numerous other factors. The motivations that officials and others may have for manipulating information in criminal matters, for example, are too many to delineate here. The quality of judicial investigations varies widely, due not just to officials' fear of or alliances with criminal groups, but also to their level of competence. Despite this, judicial inquiries are generally given very high value on our scale, regardless of the training, motivation or position of the prosecutor in question. This is a limitation for any investigation that relies so heavily on judicial records.

To deal with these issues, we developed a means of documenting cases and analyzing the information obtained, breaking the information down by source. The result is a tier system that gave us an approximation of the reliability of the information we were working with, so as to better gauge its application to our case studies and our broader conclusions and analyses. It is not scientific. It is more of a guidepost, a broad set of standards by which to judge our work.

Table II: Interview Matrix

Tiers	Who	How	Record	Attribution	Corroborated
Top	Primary source. Examples: criminals, victims	In person	Tape recorded transcript	On the record	3 separate sources
Middle	Secondary source. Examples: witnesses, government investigators	On telephone	Took notes during meeting	On background (with some institutional or other description)	2 sources
Bottom	Tertiary source. Examples: journalists, government investigators	Read transcript or from third party	Took notes after meeting	Anonymous	1 source

Table III: Reports Matrix

Tiers	What	Source	Record	Attribution	Corroborated
Top	Body of evidence that faces outside scrutiny. Example: judicial case file	Direct from source	Actual File	On the record	3 other sources
Middle	Body of raw, unprocessed information. Example: intelligence report	Via secondary source (from institution but outside official channels)	Photocopy or fax	On background	2 other sources
Bottom	Third party account. Example: media or academic report	Via third party (a person not connected to the institution)	Computer generated	Anonymous	1 other source

The information that comes from each source can be further broken down by type of information: eyewitness, protagonists' accounts, hearsay, opinion, perception, analysis. Sometimes, a single source can provide each type of information. As noted above, for the purposes of this project, we attempted to construct our case studies using as many primary source and witness interviews as possible. We combined that information with judicial records and intelligence reports, corroborating this through secondary sources, media accounts and other documents.

We focused on gathering as much factual information as possible, but the nature of this study required that the interviewees give their opinions, analysis and perceptions as well. The essence of the project -- that of defining who has enough influence to be counted as an "elite" -- is based on perceptions, and so it was necessary to ask our subjects to share their judgments with us. Having said that, we worked hard to distinguish opinion, hearsay, perception and analysis from direct accounts by eyewitnesses or protagonists.

If we were to rank the information available on countries examined in our case studies, we would get a scale that puts Colombia at the top in terms of quality and quantity of information that was corroborated, verified and checked, and Honduras at the bottom, with Nicaragua and Guatemalasomewhere in between. This assessment of the authenticity, accuracy and trustworthiness of the information is an important part of

our overall effort to be as transparent as possible about our methods, and their limitations.

There are, in the end, a lot of limitations on the study of organized crime, which investigators have long acknowledged. Perhaps the best way to think of this type of research is to see it less like scientists working in a lab and more like -- as Donald Cressey has put it¹ -- archeologists digging through the remains of long-lost society: we have too often arrived after the fact and are sifting through the pieces in order to reconstruct how that society operated.

We have done a lot of “archeology” in our two years tackling the question of organized crime and elites. The result gives you the basics about this issue -- the paramount question in the region -- and a framework to apply that knowledge across borders. This document is not meant to be the definitive account. It is meant to start a discussion, open the debate and push the dialogue forward.

Endnotes

[1] Donald R. Cressey, “Methodological Problems in the Study of Organized Crime as a Social Problem,” *Annals of the American Academy of Political and Social Science*, Vol. 374, November 1967, p. 110.

Conceptual Framework: Organized Crime

By Steven Dudley



This project defines organized crime as: *a structured group of people that associate on a regular and prolonged basis to benefit from illicit activities and illegal markets. This group can be local, national or transnational in nature, and its existence is maintained using violence and threats; corruption of public officials; and its influence on society, politics and the economy.*

From a legal standpoint, we drew from the United Nations' Palermo Convention, which defined an "organized criminal group" as "a structured group of three or more persons, existing for a period of time and acting in concert with the aim of committing one or more serious crimes or offenses established in accordance with this Convention, in order to obtain, directly or indirectly, a financial or other material benefit."¹

From an academic standpoint, we drew primarily from Joseph Albin and Jeffrey McIlwain, who wrote that organized crime is:

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A form of criminal activity within a social system composed of a centralized or decentralized social network (or networks) of at least three actors engaged in an ongoing criminal enterprise in which the size, scope, leadership and structure of the network is generated by the ultimate goal of the enterprise itself (i.e., how the crime is organized). This goal takes advantage of opportunities generated by laws, regulations, and social customs and mores and can be pursued for financial profit and/or the attainment of some form of power to effect social change and/or social mobility via the leveraging and brokering of the network's social, political and economic capital. Members of the network can be from the underworld or the upperworld. In some forms, force and/or fraud, are used to exploit and/or extort victims, while in others illicit goods and services are provided by members of the network to customers in a marketplace where such activity is often permitted through the establishment of practices which foster the compliance and/or acquiescence of corrupt public and private sector officials who receive remuneration in the form of political favors or in the form of direct or indirect payoffs.²

Our broad interpretation of organized crime gives us the ability to probe the subject from an academic and a policy perspective. It permits us to see organized crime as a pervasive presence in society, involving wealthy and poor, elite and marginalized, politicians and plebeians. In essence, like Albin and McIlwain, our concept of organized crime rests on the notion that it is a structured, multi-stakeholder enterprise that depends on a network or networks of all classes that are created over time in both the illegal and legal realms.

Our definition of organized crime also includes the provision of both goods and services. Organized crime meets the needs of the society in which it functions.³ These goods and services can mesh with both state and private economic activity. In fact, in some instances organized crime serves as one of the few motors of economic activity, can provide a means to obtain otherwise unobtainable social and economic status, and, as we shall see, can also fulfill government functions when the state is unable.

Scholars differ widely on what is the most important common denominator between criminal groups, as they vary so much from place to place. And we recognize that there are numerous types of criminal organizations: those that have strong familial or ethnic ties; those that are from a specific region or neighborhood; those that come from military or police backgrounds; those that share a religious or a political ideology; to name just a few. However, trying to determine one single origin, style or background is futile and can be counterproductive, as Albin has rightly pointed out.⁴

Organized crime, as Albin states, is more properly understood in the larger context and, in the end, is part of its “social system”: “Serving as an intermediary source between the

legal normative and the social normative systems in society, the syndicated criminal dedicates his energy and skills towards erecting a structure that, although illegal, then becomes a functioning part of the social system with which it operates.”⁵

Just how that structure is organized and operates almost entirely depends on its end goals. In line with D.R. Taft and R. W. England, as well as Albini,⁶ we see two major types of organizations. One is predatory or parasitic. It lives from extortion, theft and other means of rent extraction from the area in which it operates. This extraction is frequently couched in terms such as “protection,” which, as we shall see, is not always a euphemism. This type of organization is often established in a way that allows it to control physical territory, and it depends on the regular and open display and threat of force to exert its will. The second type of organization is service-oriented (or transactional) and seeks to fill a demand in the market. This type of organization has a structure that is designed to fill that need, whether it is illegal drugs, contraband, prostitution or other illicit goods or services.

There are two ways these organizations can grow: obtain more market share in a specific business or businesses; obtain control of more territory to “tax” legal and illegal businesses. Both types of businesses create and use a vast network of patrons and clients to maintain and expand their influence. Of course some organizations are both parasitic and service-oriented. Those are the most complex of criminal groups but also some of the most volatile and unstable. As the terms “parasitic” and “service-oriented” suggest, their businesses are often at cross-purposes.

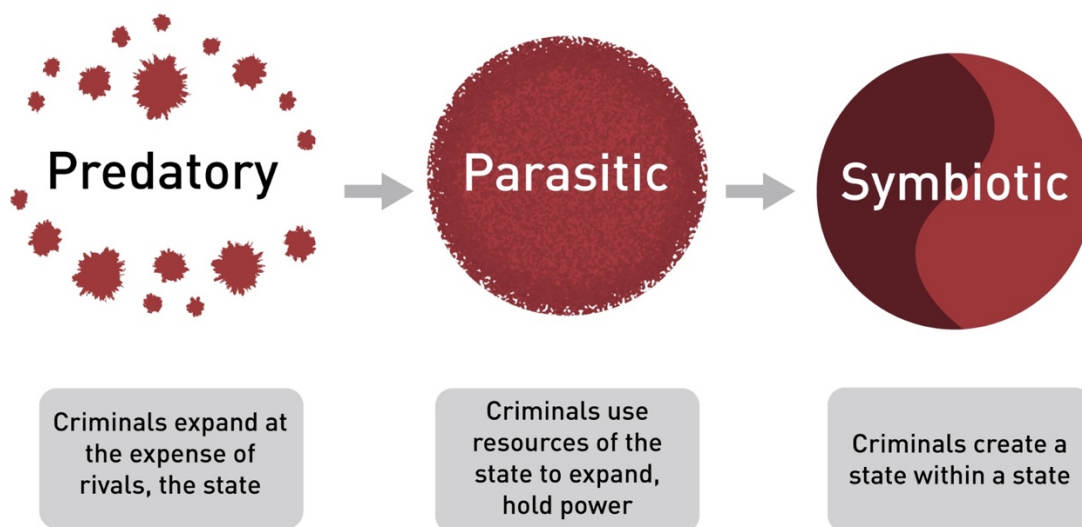
The structures of either of the aforementioned categories can be hierarchical or horizontal. They can be large or small in numbers. Some have formal rules, initiation rites and other norms. But many organizations do not have such strict codes of behavior and defy the traditional view of the mafia as depicted in the movies or the media. This type of “disorganized” crime generates more amorphous networks whose members only intermittently interact with each other, and have a list of partners and allies that can be in near constant flux.⁷

These organized crime groups must be willing and able to employ violence.⁸ Organized crime’s regular use of violence -- both internally to discipline and externally to keep economic and often social control -- as well as its regular collection of “taxes,” is what puts it in its most direct competition with the state whose essential function is that of providing protection to its citizens in return for taxes. Organized crime’s use of violence can fundamentally undermine that social contract or establish a kind of parallel social contract. In the most extreme cases, criminal groups become the guardians of specific geographic areas, giving these groups immense political and social capital from which they construct a virtual fortress around themselves.

Still, we need not overstate the use of violence. Violence is a means, not an end, in organized crime. It can be seen as a weakness as well as a strength. “Violence is not a necessary concomitant of organized crime,” Michael D. Maltz wrote. “Rather, it can be viewed as a substitute for economic and political power for those who lack access to these subtler means of coercion.”⁹

What’s more, the relationship between organized crime and the state is complicated and dynamic, and not one-sided. Peter Lupsha famously broke it down into three stages: predatory, where criminal actors seek expansion at the expense of all external actors, including the state; parasitic, when the criminal groups suck and use the resources of the state; and symbiotic, in which the criminal organizations work in concert with the state.¹⁰ Lupsha described this relationship as sequential, but it need not be.

Figure 1: Lupsha’s Three Stages of Criminal - State Relations



What’s more, we need to consider organized crime from the state’s perspective, i.e., as one that state actors or elites with close ties to the state seek. On the economic front, criminal groups can represent a source of revenue, economic growth, and economic and political opportunity. On the military front, they can represent a willing ally, one that is ready to commit resources to help secure territory or space from a violent or destructive actor in ways the state is not willing or able to.

In these cases, the criminals' role is not seen as predatory but rather as symbiotic -- the state needs the criminals in order to achieve what it cannot achieve alone. Finally, organized crime can serve the state as an ideological construct, a useful political foil as the state -- or a particular elite -- seeks to expand its role and its power. In our case studies, we shall explore the circumstances in which organized criminal groups and the state interact in myriad ways, sometimes at odds with one another and sometimes in synchronicity.

Organized Crime: Our Guiding Theses

This study is broken down by country, but there are some basic theses about organized crime that run throughout the study and are important to delineate at the outset. These theses inform our understanding of how we believe criminal actors emerge and the role they may play in the development of the state, the economy and the society in which they operate. They are, in other words, the foundation from which we draw many of our preliminary conclusions about how and why organized crime and the elites interact and intersect in the economic, political and social realms. However, they are also fallible, and the case studies will allow us to test them.

Thesis 1: Organize crime flourishes where states are absent, inept, or corrupt, or a combination of the three.

Organized crime serves two basic but fundamental services: providing protection and/or the appearance of a legitimate authority where there is no recognized or legitimate governing body; and providing goods and services that cannot be obtained within the constraints of the law. In our case studies we see examples of groups providing one or both services. There is, nonetheless, no reason to believe that entering one side of the business always leads to the other and, in fact, there are many groups that specialize in "protection" and others who specialize in providing illegal goods and services.

Yet, they do have something in common. Each type of organization emerges and flourishes in the same environment: where the trust between the government and the people has been broken or does not exist because of the corruption, absence or ineptitude of government officials and institutions.

The lack of a reliable state entity helps explain, for example, why noted crime scholar Diego Gambetta centers his mafia thesis on the concept of the provision of protection. With "the protection racket," as the thesis is often referred to, Gambetta's central argument is that organized crime emerged to protect the essence of the economy: commercial transactions.¹¹ For Gambetta, the commodity that the mafia, as he refers to organized crime, is selling to the public can be described in one word: trust. "Rather

than producing cars, beer, nuts and bolts, or books, they produce and sell trust,” Gambetta writes.¹²

Mafia-guaranteed transactions occur where the state does not have enough physical presence, where it is corrupted, or where it lacks regulatory measures to ensure any safe, equitable transactions. There is, in essence, no effective arbiter, and criminal organizations fill that void. “In essence, mafiosi operate in those economic transactions and agreements where trust, while of paramount importance, is nevertheless fragile, and where it is either inefficiently supplied or cannot be supplied at all by the state: typically, in illegal transactions in otherwise legal goods, or in all transactions in illegal goods,” he writes.¹³

In order to do this, the criminal organizations took on the two critical functions that are traditionally associated with the state -- namely that of collecting “taxes” (either in regular quotas or as a percentage of transactions), and that of creating a monopoly of force to guarantee these commercial arrangements. At its heart, this is the social contract that citizens have with the state: protection in return for revenue. Organized crime can supplant that contract with their own, parallel contract.

Of course, the underworld rarely ensures regular, equitable transactions. Mafiosi are subject to the same whims and arbitrary decision-making processes that make dictators unpopular. However, in some instances, this is still preferable to the unpredictable and extractive nature of some government authorities. Mafiosi can, as Gambetta says, play a positive role in the economy as well, fostering commercial relations where there might otherwise be very few. When trust is low, for example, the guarantor is the difference between securing a transaction, and no transaction at all, he says.

The result was the widespread emergence of these guarantors in many parts of the world. For Albin -- who was also writing about the origins of the mafia in Italy -- these guarantors were what were called in 19th Century Sicily “gabellotto.” The role of gabellotto went well beyond that of community strongman. According to Albin, the gabellotti were the glue between peasants and their lords. In Albin’s view, they could therefore be either patrons or clients, or both. As clients, they served a critical function for their large, land-holding masters: keeping workers in line and ensuring peasants paid their dues. They did this by creating and fostering armed gangs, who were also responsible for the “protection” of the local communities.

This set the stage for what Albin calls an “industry of violence.”¹⁴ These gangs helped to spread the gabellotti’s own power base either by theft, intimidation or by doing favors for the local lords. That allowed them to become landholders and patrons themselves. Their clients were the same peasants they claimed to protect. Thus the pattern was established for this “mafia” to emerge and spread.

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The gabelloiti gained further power when Italy established universal suffrage. Suddenly, they controlled votes and could ensure political power as well as social and economic control. They were also the interlocutors for the peasants to express their grievances to the lords and their political representatives. By the 1860s, Albini writes, Sicily's gabelloiti had the makings of a modern-day mafia via: "1) the use or threat of use of violence, 2) an organization (his private bands) to carry out this violence, and 3) the assurance of governmental protection through his new role as a vote procurer."¹⁵ Over time, the gabelloiti used this power and influence to open doors of social ascension for their offspring. (This idea of vertical mobility via criminal enterprises is a regular theme throughout studies on organized crime, and something we cover briefly later in this chapter.)

Modern-day Latin America, as we shall see in our case studies, has eerily similar dynamics to that of 19th Century Italy. Local landlords have an almost feudal control over territory and labor. They interact with politicians and other state actors who regularly interact with criminals of various levels of sophistication, size and scope. These criminal actors often collect "taxes" from residents and provide protection services for a fee. These criminal actors also provide votes (and campaign funding) for politicians (or create their own political vehicles to achieve political power). Finally, the criminal actors also frequently serve as interlocutors between the "peasants" and the state and other landlords; and over time, the criminal actors can become landlords themselves.

Of course, organized crime also fulfills other needs, the ones we typically associate with them. It provides goods and services that are illegal or defined as contraband. Criminal actors are, for example, responsible for supplying much of the illegal drugs consumed, as well as contraband cigarettes, prostitutes and other vice. They sell knock-off clothes, and pirated movies and video games. They steal and sell petroleum products, and mine and sell minerals and gold. They run insurance scams, steal and re-sell property and strong-arm businesses and workers via their control of unions. In short, there are few commercial spaces where there is not element of organized crime.

As Albini noted, the power that comes with being an interlocutor for the communities also means criminals can fill important economic, political and social gaps. It can secure loans where banks will not. It can pressure political representatives to respond to the needs of the community where it operates. It fills social vacuums by financing projects such as village festivals or the construction of a sports facility. It can provide labor where it is needed or suppress it when it is in revolt. In all instances, the common denominator is an absent, corrupt or inept state that condones, works alongside or is the motor of criminal activity.

Thesis 2: Organized crime can undermine the state and distort the economy, but it can also help to provide avenues to higher social and economic standing; help to drive an economy; and, in some instances, help to strengthen the state.

While Gambetta and Albin focus the impact this criminal presence can have at the local and sub-national level and give us our understanding of individual and communal relations with criminal groups -- i.e., in commerce, trade and politics in the local townships -- others, such as Charles Tilly, illustrate how this phenomenon can play out on the macro level with regards to the formation of the nation-state. For Tilly, it starts with the idea that state is a form of “protection racket”: its monopoly on the use of force within a territory allows it to charge for this service, which is necessary for the development of commerce and regular commercial exchanges.

To reach this point, however, strong clan and feudal leaders regularly relied on periphery criminal actors. Like Albin, Tilly argues that these criminal actors often performed both political and military roles for these clan and feudal leaders. But Tilly takes it further, arguing that these groups helped lay the groundwork for modern, centralized nation-states in Europe. Interestingly, Tilly says these alliances were not sought for the express purpose of creating a nation state. Instead, they were the natural result of a process whereby war begat territory, which begat resource extraction, which begat larger military forces, which begat more war and so on. “War making, extraction and capital accumulation interacted to shape European state making,” he writes.¹⁶

On its surface, this thesis does not contradict Max Weber’s classic concept of the state as the holder of a monopoly on violence. What sets Tilly apart is that he does not differentiate between the government’s monopoly on violence and the monopoly on violence held by other actors in their own territories or spheres of influence, especially as it served the need of a centralized authority and the development of the nation-state itself. These other actors essentially operate as the state under a different moniker. And in some instances, these actors assist the process of state building, even while they are committing illegal acts to gain and maintain their power. “Banditry, piracy, gangland rivalry, policing and war making all belong on the same continuum,” Tilly argues.¹⁷

The process by which we could therefore determine who was a “legitimate” and who was an “illegitimate” force came about slowly and was fraught with contradictions, Tilly says. Pirates on the sea and marauders on land were the economic motors of some of the first city-states. Soldiers were often expected to feed themselves by pillaging civilian populations. And Tilly notes that Robin Hood’s transformation into “royal archer” (i.e., a state-sanctioned paramilitary) was typical of this fuzzy line between “legitimate” and “illegitimate.”

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This tension -- challenging the state and the economy on the one side and supporting them on the other -- is constant in developing nations. Just as European kings thought of their interactions with criminal actors as a temporary means to an end, so too do modern-day elites in the Americas. Researchers such as Vanda Felbab-Brown reinforce this view, especially as it relates to modern developing world economies. Criminal groups, she says, provide employment, sometimes on a massive scale and over various industries; and security via regular and irregular channels; as well as conflict resolution -- they are capable of building capacities and providing the type of services that the state is supposed to provide. As she states:

It is thus important to stop thinking about crime solely as aberrant social activity to be suppressed, but instead think of crime as a competition in state-making. In strong states that effectively address the needs of their societies, the non-state entities cannot outcompete the state. But in areas of socio-political marginalization and poverty -- in many Latin American countries, conditions of easily upward of a third of the population -- non-state entities do often outcompete the state and secure the allegiance of large segments of society.¹⁸

What's more, the economic capital generated by these illicit projects represents massive portions of these economies and can also lead to alliances between organized crime and state builders. Peter Andreas posits that organized crime, in particular smuggling, was paramount to the independence movement and the subsequent economic development of the United States in numerous respects. From molasses smuggling in the colonial days to the current movement of illegal migrant workers who are vital to the modern economy, the United States has fostered many of these economic activities.

Andreas is particularly concerned with "how the state makes smuggling and how smuggling makes the state."¹⁹ This relationship between organized crime and the state is a critical part of this study. Like Andreas, we embrace the premise that this is a complicated and difficult relationship that depends as much on norms and laws as it does timing and the political leaders of the moment. "This is not to imply a simple, mechanical interaction," Andreas writes of this nearly constant dance the state must perform with the illicit economy.

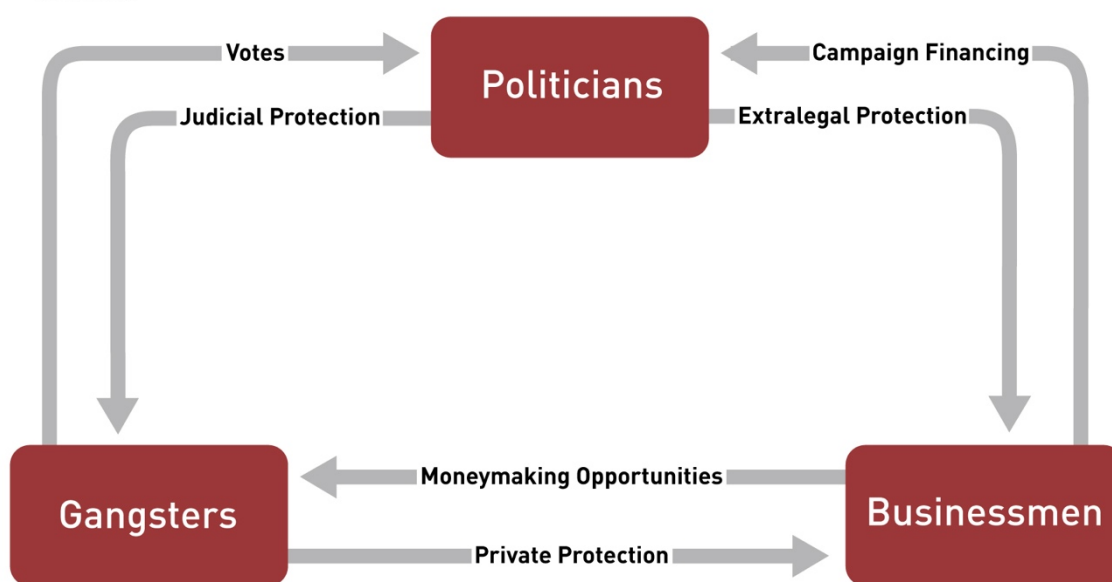
There is nothing natural or automatic about it. Throughout American history, we see the full range of state interactions with smuggling, from collusion and toleration to discouragement and condemnation. This is why politics is such a vital part of the story...Beyond the mechanics of illicit trade, it includes the morally charged politics of deviance and vice that is so often wrapped up in the issue of smuggling and the policing of smuggling. Here, politics, economics, and culture intersect and mix,

often in explosive ways and with unanticipated and long-lasting repercussions for American society and America's foreign relations.²⁰

Andreas is not the first to note the irony of US development. Albin and McIlwain describe the American colonies as a place bursting with pirates selling contraband, in large part because of the high taxes and high prices of goods serviced from the British Motherland. Writing about the colonial period, Albin and McIlwain say: "This system of cooperation between criminals, government officials, merchants and the citizens who purchased illegal goods constitutes the basic ingredients for one of the prominent forms of American organized crime, which we have come to call syndicated organized."²¹

Modern states have also developed with criminal-business-political alliances that stretch across legal boundaries. In Taiwan, Ko-lin Chin argues that one of the country's foremost traditional powerbrokers, the KMT party, sought to maintain power by allying itself with "heidao," or mafia, figures on the local level.²² Other parties, the author says, may have also aligned themselves with the heidao. The heidao eventually began to back their own candidates, which included prominent businessmen who sought entry into politics for their own ends. The resulting triumvirate of interests between the three parties is, as we shall see, similar in some countries in the Americas.

Figure 2: Chin's Triumvirate of Interests in Japanese Organized Crime



The development of the modern Russian state and economy, Patricia Rawlinson argues, is also intrinsically linked to organized crime.²³ Criminal enterprises mixed with legitimate businesses have filled the void left by the state when communism fell. Rawlinson quotes a Russian government study that says that 40,000 businesses were controlled by organized crime in the mid-1990s. This dependence on criminal businesses and shady businessmen has made it impossible to conduct business without interacting with criminal interests. It has also made crime and politics “indistinguishable” from one another.²⁴ The criminal actors have taken the place of the state in many respects, providing, for example, protection and debt collection services.

“Organized crime has supplanted many of the functions of the state, and currently represents the only fully functioning social institution,” Rawlinson says.

The implication is that organized crime cuts both ways for the state. It can serve as an economic motor of development and a security force that helps develop the nation-state, widen its boundaries and increase its reach; or it can serve as a justification for the development of the security forces, which in and of itself can help foster a new elite, which we call a bureaucratic elite. What’s more, in our case studies we can see examples in which both of these tendencies -- seemingly at cross-purposes ---- actually serve a single end for one particular elite. In other words, while they might condemn criminal activity on one level, they use organized crime in its various manifestations -- economic, political and military -- on another.

Thesis 3: Organized crime is not limited by class, political affiliation or social status, and, at its core, it is about power.

Too often we view organized crime as a bottom-up activity, one that emerges in the depths of society, in poverty-stricken circumstances, and worms its way into the upper echelons of political and economic power structures. This, as Tilly and Albin point out, is a convenient argument that affords the elites a pass. Still, the most common vision of these criminal groups is that of predator. In this view, the criminals are outsiders. They emerge from the lower classes of society. They are driven by greed, flawed youth and inadequate education. In the most perverted depictions, they are criminals by nature, or for “cultural” or ethnic reasons. And they are frequently characterized as ruthless social climbers, in part because of their low socio-economic origins.

There are certainly cases that fit this mold, the most famous of which is Pablo Escobar. Escobar was the consummate outsider. He was a car thief who rose through the criminal ranks first as a contraband and illegal drug transporter, then later as an international drug distributor. He made vast sums of money but eventually sought political power, attaching himself to a wing of the Liberal Party in Colombia. He also tried to gain access

to the elite by attempting to join the exclusive Medellin country club and sending his children to posh schools.

The Colombian elite thwarted both his political and social strivings. Marginalized and hurt, he struck back with a brutal and public campaign. He kidnapped elites and exploded bombs at malls; his men detonated a bomb on an airplane in flight killing all aboard. To some extent, his methods worked. He was able to change the country's constitution. But he never achieved what he really wanted: the power that comes with being an elite.

That power is reflected in the way we view the elite's transgressions. Elites have their own legal category when it comes to organized crime: white-collar crime. But the distinction between organized crime and white-collar crime is fuzzy at best. Technically, the Federal Bureau of Investigation (FBI) refers to it as "frauds committed by business and government professionals," or "lying, cheating, and stealing."²⁵ However, the FBI's own list of white-collar criminal acts -- which includes identity theft, money laundering, piracy and intellectual property theft -- could very easily apply to our list of organized crime activities.

White-collar crime is often differentiated from organized crime because it is not considered violent, yet illegal drug dealing, prostitution or even racketeering are not necessarily violent. Meanwhile, a white-collar crime such as money laundering can be a very violent business. In fact, at its core, the only real distinction in the law and in many judicial systems between organized crime and white-collar crime -- according to Edwin Sutherland, the man who coined the term -- is class.

"The respects in which the crimes of the two classes differ are the incidentals rather than the essentials of criminality. They differ principally in the implementation of the criminal laws which apply to them," he wrote. "This difference in the implementation of the criminal law is due principally to the difference in the social position of the two types of offenders."²⁶

For this project, we do not distinguish between white-collar crime and organized crime. White-collar crime and organized crime are, as Vincenzo Ruggiero states, the same.²⁷ They both act in accordance with their needs and employ similar techniques to achieve their goals, which Ruggiero argues should be studied in the same way, regardless of the "social characteristics or background of the perpetrators."

This is why our conceptual approach is that criminal groups are born from all strata of society. Their members include wealthy, poor and those in between. They may have studied at the best universities, or never have attended school. They are politicians and

businessmen; union leaders and clergy; military officers and police captains; thieves and marauders. And their criminal acts need to be studied in the same way.

Andreas, for instance, notes that John Hancock, one of the United States' preeminent molasses smugglers, was also the first signatory to the Declaration of Independence and one of the architects of the revered US Constitution.²⁸ This alliance between Hancock and the other business and political elites in the British colonies was the result of Hancock's integration of a shipping service that included licit and illicit goods. In essence, Hancock was what in modern-day Central America we would call a "transportista."

Examples also abound in our case studies. In two of our case studies, it is the elites themselves who are designing and implementing the criminal schemes. In the others, it is the elites who are benefitting from them, using them to expand their political influence, their economic reach or their social base. There are few who question this elite participation in criminal acts today -- which is why we embarked on this project -- and even fewer who have faced accusations of wrongdoing.

The paths these elites take to reach wealth and power are not just an illustration of the way in which elites also take part in organized crime, they are critical to understanding why other non-elites do so as well. As Daron Acemoglu and James Robinson have chronicled, these elites are often the same ones who are developing (or not, as the case may be) the very institutions that govern these societies. In essence, elites can skew the nature and mission of the government so it is geared towards protecting what Acemoglu and Robinson term an "extractive" system that is parasitical in its own destructive way.²⁹

These systems thwart economic and political development over the long term, but they also open up opportunity for organized crime to thrive. "Extractive" states skew the way in which the state deploys its security resources, collects its taxes, and applies justice. The result is that social ascension, of the type that Pablo Escobar sought, is stymied. In other words, the "extractive" system impedes upward mobility, leaving few opportunities for those outside of the small group of political, social and economic elites to join their club. Criminal activity, as it operates along the margins of the formal economic and political spheres, can level the playing field in crude but effective ways by creating opportunities to obtain huge amounts of capital in short time spans, and offering protection services to these ruling elites, among other ways.

As it was in 18th Century Sicily, these services can open doors and provide what Daniel Bell famously described as a "queer ladder of social mobility."

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“Crime, in the language of the sociologists, has a ‘functional’ role in the society, and the urban rackets -- the illicit activity organized for continuing profit rather than individual illegal acts -- is one of the queer ladders of social mobility,” Bell wrote.³⁰

These “social climbers” nearly always face backlash from those who came before them, Bell says, even if those who came before them used some of the same tactics to reach their status.

The pioneers of American Capitalism were not graduated from Harvard’s School of Business Administration. The early settlers and founding fathers, as well as those who “won the West” and built up cattle, mining and other fortunes, often did so by shady speculation and a not inconsiderable amount of violence. They ignored, circumvented or stretched the law when it stood in the way of America’s destiny, and their own -- or, were themselves the law when it served their purposes. This has not prevented them and their descendants from feeling proper moral outrage when under the changed circumstances of the crowded urban environments later comers pursued equally ruthless tactics.³¹

The pattern repeats itself in our case studies. The established elites vilify the non-elites. To this day, Pablo Escobar and his family remain the punching bags for news organizations owned and run by Colombia’s elites. The bankers, the landowners, the mining companies, the cattle ranchers and others who established themselves and their families by undermining the rule of law stand in judgment of the Escobars who seek social ascension via “organized crime.” But these families have traveled similar roads. Both involve nefarious means, subversion of the state, violence (albeit to varying degrees) and other tactics. More importantly, both are after the same goal: power.

The quest for power, not wealth, is at the heart of this project.³² For us, it is an important distinction. Organized crime is most often associated with specific criminal acts that often bring their participants vast sums of money. But organized crime, of the type that we are focused on, is about so much more than the simple accumulation of economic capital. While certainly an important factor in the underworld dynamic and the ability to obtain power, economic resources, as Pablo Escobar discovered, do not automatically give you power.

For organized crime, obtaining power requires relationships and networks. To begin with, organized crime necessarily involves security forces. Organized crime uses these various connections to facilitate the actual businesses, as well as protect its main players from prosecution. As Albini notes, “Provision of illegal services...because they necessitate contact between the criminal and the client on a continuous basis, cannot be readily carried on without soon coming under police or public scrutiny.”³³ These

connections also include prosecutors, judges, low-level functionaries at port entries and airports, among others.

In its more sophisticated forms, organized crime co-opts high-level government officials, and fosters politicians and even political parties. In some of our case studies, these government officials, politicians and criminal groups are all part of the same criminal organization, or at least working towards the same ends. The political capital that comes with these relationships allows criminal groups to exert power in particular ways that permit them to avoid prosecution, advance and expand their business interests, and establish a base from which to exert power over state resources, as Rawlinson shows in the case of Russia.

Finally, organized crime obtains power by intersecting with the communities in which it operates, which allows it to gain important social capital, thereby adding a further layer of protection from prosecution and public scrutiny. This, as mentioned earlier, can come from supplanting the state as neighborhood watchdog, i.e., its police and often its judicial system. In addition, as some of our case studies illustrate, criminal groups build support by providing jobs and services to the community. Social capital can also, as Desmond Arias shows, come through direct contact and work with community leaders, gaining their trust and supporting their projects.³⁴ And social capital can be accumulated by sponsoring sources of community pride, such as festivals or soccer teams.

In our view, the accumulation of economic, political, and social capital are the foundations of power, and it is this power, as we shall see, that allows organized crime to emerge, expand and sustain its operations. In some instances, this process is truncated, and we are witness to the downfall of a criminal empire or its leader. These instances form the basis of most of our case studies. In other instances, it proceeds apace, providing the base from which families can be made, new elites can emerge and nation-states can be built. In all instances, it is a destructive, messy process that involves a multiplicity of actors, both state and non-state, elites and non-elites, rich and poor, city folk and rural peasants, criminals and innocent civilians. Those are the stories that follow.

Endnotes

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Conceptual Framework: Elites

By Javier Meléndez



This InSight Crime project defines elites as: *specific groups of people with a privileged position that allows them to control, direct or greatly influence the dynamics of community life in political, social, cultural and/or economic terms.*

We base this definition on three theoretical concepts. The first comes from Goran Therborn. He describes what he calls the “dominant class,” or failing that, an alliance of dominant classes, which is broad in its power and reach. Part of this construct rests on the idea that every state has a class character and every society a dominant class, which is dominant because it has hegemonic power over at least three aspects of society: economics, politics (embodied by the state) and ideology.¹ To Therborn, the dominant class is not necessarily installed within the state, but its actions and power (interventions) are such that it influences state policies for its own benefit. His perspective also assumes a dominant class is not homogeneous, but often broken into factions. It is a dominant class with diverse interests. Therborn recognizes that the power of the dominant class is not only based on economic aspects but also political and

ideological ones, and that it makes use of those resources to legitimize itself before society and intervene in the state, either from within or from the outside. Thus, while recognizing the strong determination of economic relations in the constitution of the dominant class, it also attributes great significance to the political and ideological aspects.

Our second concept for understanding the elites comes from Gaetano Mosca, who understands elites as a “ruling class” or a “political class,” which is made up of a minority of people who direct what Mosca calls “public affairs.” They perform all political functions, monopolize power and enjoy its advantages. This class consists of a minority whose qualities distinguish them from the governed masses and give them material, intellectual and moral superiority. Analyzing the historical makeup of the ruling class, Mosca identifies among its members: political and military leaders, wealthy landowners, religious hierarchies and high-level state bureaucrats.² For Mosca, the political class tends to become hereditary by law or by circumstance, and develops attitudes and qualities for acquiring and conserving power. But when important changes happen in society, the ruling class also changes by either renewing itself or making room for a new ruling class. While acknowledging the distinction between governors and the governed is not novel, it does help identify the “ruling class” through its real and effective control of the state.

Mosca establishes that “the governing minority is made of individuals that distinguish themselves from the governed masses by determining qualities that grant them a certain material and intellectual superiority. Social position, family tradition and class ethos determine and condition the character of men, as well as certain cultural bases which help determine the superiority of the political class.”³

The third concept in which we base our understanding of elites comes from C. Wright Mills, who, through a historical analysis on the makeup of elites in the United States, identified key groups in different periods.⁴ He argues that the middle of the post-World War II period produced a process of political power infiltration by “corporate leaders” and “military men” that became an elite made up of politicians, military leaders and capitalists that made decisions together, except in certain situations where the interests of one group prevailed.

Mills also does not believe this elite is homogenous. In reference to Mosca, Mills argues that members of the elite have a common origin and education, but their class origin does not necessarily mean they only represent the interests of this class and that behind that concept of a ruling class is the idea of an economic class that manages politics as well.⁵ Mills argues that Mosca’s idea of a “ruling class” is not appropriate because the

term alludes to economic power, but elites are not always made of people with economic power. Such is the case of political elites and state bureaucratic elites.

Adapting the Theoretical Approaches

In general terms, literature on elites offers a restricted view of their configuration as it focuses on political and economic levels, their relation to the market and the state as it relates to acquiring power, or conflicts over control of the state and the market.

Empirical evidence from case studies

in Guatemala, Honduras, Nicaragua and Colombia reinforces our focus on the existence of diverse elites, forming something akin to elite factions. The evidence indicates that the last 30 years has been marked by conflicts amongst elites that have led to some dispersal of power.

Contrary to the idea that the dispersal of power and authority amongst different elites generates a balance of power in their democratic societies while neutralizing tensions and reconciling interests among them,⁶ in Central America multiple interests generated by different elites have provoked tensions as well as legitimate and illegal ad hoc alliances. These alliances aim at controlling the state, are not transparent to public management, and are key to preserving the economic and political interests of elites, as well as helping them maintain social control.

Due to this diversification of traditional structures and the scramble for power, we feel the need to examine each piece and understand how elites function within societies and states. We accept that there is a general idea that elites influence the direction or dynamics of community life in political, social, cultural and economic terms. But our focus assumes said elites come from a variety of sectors including government and non-government actors, military and economic sectors, community organizations and politics.

In this sense, it is important to specify at least three scenarios regarding the configuration of elites and the way they usually impose their interests.

The first is when the dominant classes exert political control over either a weak or a strong state. On the basis of this strength or weakness, criminal groups find space for their illegal activities. In other words, elites set the standard for the creation of the rule of law, the justice system, the tax system, the security forces and other aspects that may curb the activities of organized crime. Problems occur when there is a notable lack of incentives to create strong institutions, like in Central America, because they may also limit the elites' own empires, which often are held through illicit arrangements.

The second element is the introduction of a military or bureaucratic elite as a key variable in the study given the importance of this powerful group in Latin American history and its role in developing both the state and organized crime. Evidence from Guatemala, Colombia and Honduras shows that there can be no understanding of organized crime dynamics without paying attention to the role of the military in the last 50 years.

Mills' approach enables us to take the concept of “powerful elites,” which empirically identifies groups that have and exercise power from different capitals: economic, political, symbolic, etc. This is because societies are complex and various elites also have interests that conflict with the others. The key element of the analysis is that the spaces where power is exercised are scattered and elites are diverse.

Our understanding begins with the premise that there is a plurality of elites that not only compete for state and market control, but also influence the life of the communities where they live. We also agree that the term “elite” refers to various groups in society that enjoy privileged status and exercise decisive control over social organization. Although elite suggests a position of power, it does not necessarily require wealth or an official title.⁷ From this perspective, we break down these elites into three categories: economic, political and social. We also introduce the concept of bureaucratic elites, since it their role as bureaucrats within the state that puts resources and power at their disposal. These bureaucratic elites have played a key role in the success of the operations of organized crime networks, so much so that delineating and exploring their development and reach has been paramount to the project.

The Elites, Their Profiles and Their Ways of Exercising Power

We take as a starting point that one of the traditional characteristics of **economic elites** is that they control the means of production and exercise strong influence over the labor market and consumption. Their power base is the economic capital they have accumulated, which they use to exercise power not only in economic circles but also in political and social arenas. This economic capital includes land or property, natural resources and finances. They are also committed to influencing public opinion to adjust it to their economic interests. This is usually accomplished through oligopolies that concentrate the most important media in their hands, including radio, newspapers and television.

Political elites, for their part, are connected to parties and political movements. They look to use their political connections to increase their hegemony over communities. In other words, political elites use state resources or connections to the state and political parties in order to play a dominant role in the life of communities they inhabit. These

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political elites do not have to hold a political position to exert influence. They may be a party leader, a consigliere or a lobbyist with political parties to ensure that the interests of those elites are aligned with economic power groups. However, for the purposes of this initiative, we have limited the scope of the political elites to those who operate through the structure of political parties. This also helps us to understand the operation of the scope of the bureaucratic elites and specify the role they have in the sustainability and success of organized crime.

Social elites we understand as actors with leadership roles and the ability to direct the community or region, putting forth strong ideas alongside the capacity to promote and mobilize these ideas. This can include community and religious leaders as well as artists and intellectuals. This elite does not necessarily have political or economic power to exercise. But they can obtain both in the process, and they can also use their technical knowledge of the structure and procedures of the state to their advantage. They are not an elite by having gained their position through the electoral process. Their position as elites is won through leadership, credibility, legitimacy, debate and acting in a manner that creates confidence and support within the community. These characteristics are fundamental in understanding the configuration of local power in multiethnic communities, like Guatemala, and multiethnic regions like those in Nicaragua.

The **bureaucratic elites** refers to a specific group, enmeshed in the state apparatus, with power and capacity for decision-making. Operationally these elites can achieve a relative autonomy from the economic and political elites, and are organized on the basis of their resources and their own interests. Their importance lies in the power and hegemony they have over state resources: its procedures, their technical capacity and their leadership. This includes the police and to a much greater extent the military. The level of differentiation and complexity of the functions of a society can be seen in the degree of development and specialization of the state, such as in its economic activities. Hence, as stated by Max Weber and Mills, the state is made up of a group of people with a level of specialization, which gives life to a state bureaucracy that acquires power as measured by their level of specialization and their capacity to make decisions.⁸ This bureaucracy creates in turn bureaucratic elites with power over state resources, including political resources. Mills and Mosca explain how this bureaucracy came to be and was incorporated into the power elites of the United States and Europe, through a long period in which bureaucratic elites weaved their relations and links with economic and political elites, until becoming part of them.⁹ We see the same in some of our case studies, but note that in Central American countries the possibilities of autonomy for bureaucratic elites with respect to economic political elites are marginalized by lack of meritocratic processes in the appointment of senior management and intermediate institutions in the state.

Of course, there is some mixing between these groups. It is an inevitable consequence of living in complex societies where there is social, political and, to a lesser extent, economic mobility. However, we believe it is essential to distinguish between the influence that each group has, so that we can better understand where, why and how organized crime intersects with these elites. Understanding the intersections of organized crime with elites can help us understand the basis on which this criminal phenomenon arises, develops and survives. As outlined above, the elite interests are diverse and disputed. Staying in power allows them to promote these interests in several ways. This includes maintaining and exploiting weak states to position the interests of organized crime groups, by association with these groups, and by sabotaging reforms that could limit the penetration of criminal elements in the state.

This approach is also based on the premise that the elites are dynamic. They relate and interact with each other depending on their interests and the balance of power in which they are positioning themselves, and it is in that framework they also interact with criminal groups.

Vulnerable States, Powerful Elites and Corruption

To understand the perspective proposed in the project on elites and organized crime, the role of the Central American elites in the state needs to be put into context. This means understanding that the Central American elites have been essential to creating a system of interactions that ensures their control of the state and its institutions, with a view to perpetuating or at least extending their privileges as power groups. Operationally it is through the state that the elites exert their prerogatives, but they also use the state to “sell protection” to criminal networks involved in drug trafficking or embezzlement of public resources. This scenario is not exempt from the conflicts amongst elites who use influence peddling, corruption and impunity to service their ends. This becomes important once we look at governance in Central America and Colombia, and from there the vulnerability and fragility of the states and their institutions stemming from relations and the interplay with criminal networks with the elites in an environment of corruption and endemic impunity.

In this regard, the Corruption Perceptions Index (CPI) of Transparency International, which assigns a score and ranks countries according to perceptions of the degree of corruption in the public sector, ranked Honduras number 133 out of 175 countries in its 2012 report. This was the worst in Central America and the fourth least transparent in the hemisphere. Nicaragua (130) and Guatemala (113) were also counted among the worst evaluated in Central America. Guatemala, the best rated of the three countries, was located just twenty points ahead of Somalia, the least transparent country in the world according to the index, and was almost 70 points behind Denmark, the most

transparent.¹⁰ In the 2014 index, Honduras improved slightly (126) but still ranked alongside Nicaragua (133) and Guatemala (115) as some of the least transparent in Central America. In the hemisphere they only ranked above Paraguay (150), Haiti (161) and Venezuela (161).¹¹

Regarding these governments' high rates of corruption, a report by International Narcotics Control Board (INCB) was emphatic in indicating that traffickers take advantage of weak government institutions to establish new transit routes and finance corruption with the proceeds of their illicit activities.¹² A United Nations report on drug trafficking in Central America also indicated that although the trade has affected the region through violence, the region's instability is rooted in fragile institutions that have encouraged the presence of non-state actors.¹³ Said non-state actors -- in collusion with business and political elites as well as high military and civilian officials -- have managed to implement sophisticated criminal operations, which exploit this environment of impunity and corruption.

Institutional fragility guarantees elites will tolerate grey zones operating in all types of illicit businesses that are oriented towards perpetuating their interests. In practical terms, elites look to control public politics and, when necessary and convenient, minimize interventions aimed at opening the state to public scrutiny and accountability. In this sense, the state is less a guardian and generator of common interests, and more an instrument of private groups with private interests. The mixing and interplay between elites and organized crime grows roughly in proportion to the state's inability to enable processes that foster transparency and accountability. In the words of Joaquin Villalobos, the state's weakness allows small groups to meet and form hierarchies, until they become large criminal organizations capable of coopting institutions. As a result, state weakness provokes the emergence of alternative and illegal powers, which fill power and order vacuums.¹⁴

In **Guatemala** -- with all its modernization processes for adapting to the global economy -- elites remain central actors in politics, since their economic power is based on their formidable ability to control the politics of the state. To cite just one recent example, President Oscar Berger (2004-2008), upon starting his term affirmed his identity by defining his presidency as a "Government for Business." To secure control of the state, elites employ an array of formal and informal mechanisms, careful to project the ideals of a modern elite which is in sync with an agenda of open markets and liberal democracy, while trying to preserve their oligarchic roots and legacies. But power relations of elites with regard the Guatemalan state cannot be understood without referring to the performance of security forces in the erosion of the state and the fragility of that state as a result of requirements by the elites to make it an instrument serving their interests.

In every government administration, business people form pressure groups, familial or by industry, that look to win political power that provides protection and advantages in the opening of business opportunities. They do this by financing electoral campaigns, which affords them direct access to the highest authorities. They also do this through the selection of executives and trade union leaders who represent them via economic and financial ministerial cabinets in the central government.

In **Nicaragua**, the makeup of the elites should be seen through the lens of recent history. The Nicaraguan elite is mixed in composition with interconnection through economic, political or social links and a clear interest in occupying the state, exploiting its resources to consolidate its power. It is also willing to commit acts of corruption in order to strengthen or maintain its position. To operate, these power elites have reinforced the existence of a state with large “grey zones,” or functions and areas with little or no regulation and control which would otherwise present high risks for those committing acts of corruption. These grey zones allow state officials to use government resources, whether they be economic, material, institutional or political, for their own benefit or that of their power group, with little to no risk of consequences for those involved.

After 17 years of right-wing governments with a neoliberal bent, in 2007, Daniel Ortega regained the presidency. This indicates the economic strength of the political elite surrounding Ortega, his family group and what can be called the business side of his political party, Sandinista National Liberation Front (FSLN).¹⁵

In terms of the elite reconfiguration and management of the state, this implies: a) the construction of alliances with other groups to insert themselves in the main axes of the national economy, like large agricultural exporters, foreign investors primarily in the telecommunications and tourism sectors, financial sector business people, and high ranking military; and b) the “colonization” of all state power and spaces, such as control of the National Assembly, the Supreme Court, the electoral regulatory agency, local governments (municipal and regional) and all the bodies that control public administration, as well as maintaining an iron grip on the police and military.¹⁶ The strength of the elite that has formed around President Ortega has increased since 2007, and it has been able to secure power over other factions through private negotiations to establish economic alliances or by eliminating their political parties and movements so they do not compete in elections.

The configuration of elites in **Honduras** must be understood from the production model which began in the 20th century, which favored an enclave economy dominated by multinational corporations, and then from the elites’ capacity to control the service and banking sectors as well as the media and telecommunications.

The effect of so large a multinational presence were complimented by economic changes spearheaded by immigrants from the Middle East and Eastern Europe. These families helped open up Honduras' economic landscape by investing heavily in the banking, industry and communications media, and other areas. In doing so, they gained influence in politics via both of the main political organizations: the National Party and the Liberal Party. Historically, politics had been the exclusive domain of Honduras' traditional elites whose power stemmed from the control of land, livestock, mining, coffee exports and government office. The faces of the elite, be they old guard or more recently arrived, are known to the public through the society pages of newspapers and through seats on the boards of private sector organizations. Traditional elites have also bolstered their relevance in a modern world through an increased, public presence in politics.

The other element that characterizes the Honduran elite system is their lack of homogeneity. The contradictions, confrontations and struggles happen frequently as the different power groups vie for control of the state. This is because throughout Honduras' history the state has been a source of legal and physical defense for these interests. State control has guaranteed the "rules of the game" and because of this disputes have been contextualized in the capacity that one elite has over another to obtain advantages through manipulation of public administration and its political power.

In its most visible expression, elites of all kinds have used the military and police to protect their property and businesses for years. Hence the elites' said dependence on security forces to protect their businesses led to the emergence of military leaders as relevant political and economic actors.

But to understand the Honduran elites' configuration, it's also necessary to examine the role of high-ranking bureaucrats within the state. These powers arose from traditional politics and gravitated towards power centers within political parties. This Honduran bureaucratic elite is a wildcard. Their value depends on who has them in their hand, and their ability to become a key to "winning the game." Bureaucrats themselves do not have great economic power, but their networks and social bases, their charisma, skills, talents and handling of electoral issues, represent capital that is hard to obtain with money alone. These activities put this elite in a position to make the decisions necessary to serve itself as a state facilitator, and when conditions are right, perpetuate the bureaucratic pattern of accumulating capital by weaving alliances with economic and military elites and, at same time, criminal networks.

Colombia's elites have more in common with those from Guatemala than anywhere else in Central America. For decades, they concentrated land and industry in their hands, while paying little taxes and using the military to their advantage. They also

concentrated their power in the capital city, Bogota, where they strove to maintain the status quo by controlling the political levers of power and the country's two political parties, the Liberals and the Conservatives. To be sure, in the periphery, there were elites, but they were generally isolated from the central government and were largely left alone to settle their own disputes as they saw fit.

The configuration of elites in Colombia was also forged by violence. When a popular Liberal politician was assassinated in Bogota in 1948, fighting broke out along party lines. Hundreds of thousands were killed. But while the pretext of the fighting was political, the heart of the struggle was about land and control over the means of production. Over time, the two parties eventually found common ground, designing a power-sharing arrangement that put an end to the battles between them but opened the way for left-wing insurgencies. The guerrilla war gave the two parties even more common cause. It also fomented the development of a bureaucratic elite, mostly emanating from the police and military ranks. As a vibrant illicit economy emerged, it added yet another important layer to this fight that nearly every side -- guerrillas, as well as political, economic and bureaucratic elites -- sought to use for their own ends.

Endnotes

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Project Description

Elites and organized crime is a multiyear project financed by the International Development Research Centre that investigates the dynamics between organized crime and elites in four countries: Honduras, Guatemala, Nicaragua and Colombia.

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Team

InSight Crime Co-director Steven Dudley was the director of the project. Javier Meléndez was the project coordinator. Dudley coordinated research in Honduras, along with the Centro de Investigación y Promoción de los Derechos Humanos (CIPRODEH) and the Asociación para una Sociedad más Justa (ASJ). Edgar Gutiérrez coordinated research in Guatemala, along with the Fundación DESC. Meléndez coordinated research in Nicaragua, along with Expediente Abierto and the Instituto de Estudios Estratégicos y Políticas Públicas (IEEPP). InSight Crime Co-director Jeremy McDermott coordinated research in Colombia. Several independent investigators, who wished to remain anonymous, also greatly assisted project work in Honduras, Guatemala, and Nicaragua. InSight Crime wishes to thank all the partners and collaborators.

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